

ITEL

11934

Rail Division

RECORDATION NO. Filed 1425 Two Embarcadero Center
San Francisco, California 94111
(415) 955-9090
Telex 34234

JUN 26 1980 12 32 PM

June 25, 1980

INTERSTATE COMMERCE COMMISSION

0-178A047
JUN 26 1980

Date JUN 26 1980

Fee \$ 50.00

ICS Washington, D.C.

Ms. Agatha Mergenovich, Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Re: Lease Agreement made as of June 17, 1980
between Itel Corporation, Rail Division
and Grand Trunk Western Railroad Company

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. Section 11303(a) and the Interstate
Commerce Commission's rules and regulations thereunder, I
enclose herewith, on behalf of Itel Corporation, Rail Division,
for filing and recordation, one (1) original and three (3)
counterparts of the following document:

Lease Agreement, made as of June 17, 1980, between Itel
Corporation, Rail Division and Grand Trunk Western Railroad
Company

The names and addresses of the parties to the aforementioned
document are:

- (1) Itel Corporation, Rail Division
Two Embarcadero Center, 24th Floor
San Francisco, California 94111
- (2) Grand Trunk Western Railroad Company
131 West Lafayette Boulevard
Detroit, Michigan 48226

The equipment covered by the enclosed Lease Agreement is two
hundred (200) gondolas (A.A.R. mechanical designation GTW
52'6" in length), marked GTW 148000 through and including
GTW 148199.

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I.C.C.
REGISTRATION BR.

Michael R. Dwyer
Com.

Interstate Commerce Commission
Re: Lease Agreement
June 25, 1980
Page two

Enclosed also is a check for \$50.00 for the required recordation fee.

Please stamp all counterparts of the enclosed document with your official recording stamp. You will wish to retain one (1) counterpart of the document for your files; it is requested that the remaining three (3) counterparts be delivered to the bearer of this letter.

Sincerely,

A handwritten signature in dark ink, appearing to read "David V. Biesemeyer", with a long horizontal flourish extending to the right.

David V. Biesemeyer
Senior Counsel

Enclosures
DVB/jsf

Interstate Commerce Commission
Washington, D.C. 20423

6/26/80

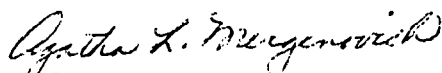
OFFICE OF THE SECRETARY

David V. Biesemeyer
Senior Counsel
Itel Rail Division
Two Embarcadero Center
San Francisco, Calif. 94111

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **6/26/80** at **12:30pm**, and assigned re-recording number(s). **11934**

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

L-0030
6/17/80

RECORDATION NO. 11934 Filed 1425

JUN 26 1980 12 32 PM

LEASE AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS LEASE AGREEMENT ("Agreement"), made as of this 17th day of June, 1980, between ITTEL CORPORATION, a Delaware corporation, acting through its Rail Division, Two Embarcadero Center, San Francisco, California, 94111 ("Itel Rail"), as the lessor, and GRAND TRUNK WESTERN RAILROAD COMPANY, 131 West Lafayette Boulevard, Detroit, Michigan, 48226, a Michigan corporation ("Lessee"), as the lessee.

1. Scope of Agreement

A. Itel Rail agrees to lease to Lessee, and Lessee agrees to lease from Itel Rail, freight cars of the type and description set forth in any equipment schedules (hereinafter "Schedules") executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The scheduled items of equipment are hereinafter referred to as "Cars".

B. It is the intent of the parties to this Agreement that Itel Rail shall at all times be and remain the lessor of all Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of lease with respect to all of the Cars described on a Schedule shall be for fifteen (15) years (the "Initial Lease Term") commencing upon the earlier of the date when all Cars on such Schedule have been delivered as set forth in Section 3 hereof or December 31, 1980.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended (after giving effect to any Cars to be transferred to Lessee, pursuant to Section 6) for not more than five (5) consecutive periods of twelve (12) months each (each an "Extended Lease Term") with respect to all of the Cars described on each Schedule, provided, however, that Itel Rail or Lessee may terminate this Agreement upon the expiration of the Initial Lease Term or Extended Lease Term as to all, but not fewer than all, of the Cars on any such Schedule (after giving effect to any Cars to be transferred to Lessee, pursuant to Section 6) by written notice delivered to the other not less than twelve (12) months prior to the end of the Initial Lease Term or any Extended Lease Term, as applicable.

3. Supply Provisions

Itel Rail will inspect each of the Cars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to Itel Rail that a sample Car (one for each different type of Car on each Schedule) made available for Lessee's inspection prior to the commencement of deliveries conforms

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to the specifications of the Cars agreed to by Lessee. Upon such approval by Lessee and Itel Rail's determination that the Car conforms to the specifications and to all applicable governmental regulatory specifications, and provided this Agreement has not been terminated, Itel Rail will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each Car shall be deemed delivered to Lessee upon acceptance by Itel Rail. The Cars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by Itel Rail as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, Itel Rail can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Cars leased hereunder, Lessee agrees to pay to Itel Rail the rent set forth in this Agreement commencing on and including the delivery date. To move the Cars to Lessee's railroad line and insure optimal use of the Cars, Itel Rail agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and Itel Rail, to issue movement orders with respect to such Cars to other railroad lines. The term "Initial Loading" of each Car for the purposes hereof is defined as the earlier of (i) the first loading of freight on each Car on the railroad line of Lessee, or (ii) the thirty-first (31st) day after acceptance of delivery of each Car at the manufacturer's facility by Itel Rail.

4. Railroad Markings and Record Keeping

A. Itel Rail and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be lettered by Itel Rail at Itel Rail's expense with the railroad markings of Lessee and will also be marked, by Itel Rail at Itel Rail's expense, with the name and/or insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. Lessee shall, during the term of this Agreement, prepare and file all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate application for relief, at Lessee's option, from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. All record keeping performed by Lessee hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by Lessee in a form suitable for reasonable inspection by Itel Rail from time to time during regular business hours. Lessee shall supply Itel Rail with such reports regarding the use of the Cars as Itel Rail may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, Itel Rail will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each Car during the term of this Agreement. In all cases involving the AAR rules, Itel Rail will at all times be considered the Car owner and Lessee, when such Car is in Lessee's possession, will be considered the handling line. When a Car is interchanged to other railroads and no longer in the possession of the Lessee, the railroad having possession of such Car will be considered the handling line.

B. Except as provided above, Itel Rail shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of Itel Rail, Lessee shall perform at Itel Rail's expense any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may be reasonably requested by Itel Rail or immediately notify Itel Rail that Lessee is unable to perform such maintenance and repairs. Itel Rail shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the lease term of such Cars. Lessee may make running repairs at Itel Rail's expense to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations, improvements or additions to the Cars without Itel Rail's prior written consent. If Lessee makes a repair, alteration, improvement or addition to any Car without Itel Rail's prior written consent, Lessee shall be liable to Itel Rail for any revenues lost and costs to return such Car to its original condition. As between Itel Rail and Lessee, Itel Rail shall be deemed the owner of any alteration, improvement or addition.

C. Lessee will at all times while this Agreement is in effect be responsible for the Cars while on Lessee's property in the same manner that Lessee is responsible as a handling line under the applicable AAR rules for Cars not owned by Lessee on Lessee's property. Lessee shall protect Itel Rail against the loss of or damage to any Car or personal injury or property damage involving the Cars while on Lessee's property, by obtaining insurance satisfactory to Itel Rail or by providing self-insurance satisfactory to Itel Rail. Itel Rail understands that Lessee participates in the Canadian National Railway insurance pool and agrees that such participation is satisfactory self-insurance; provided, however, that if such self-insurance shall during the Initial Lease Term or any Extended Lease Term, in the reasonable opinion of Itel Rail, materially and adversely change as to the interest of Itel Rail, Itel Rail may require additional or alternate insurance coverage and Lessee agrees to provide such coverage.

D. Lessee shall pay, when due and payable, all taxes, assessments and other governmental charges levied or assessed against (i) the Cars, other than sales or use taxes, if any, on Itel Rail's purchase of the Cars or any transfer of Itel Rail's ownership interest therein at such times as Lessee is not in default hereunder, except as provided in Section 6 hereof, (ii) this Agreement or (iii) Lessee's interest in the Cars, or the ownership, operation, use or leasing thereof (together with any fines, interest, penalty or late charges imposed with respect thereto), and shall comply with all federal, state and local laws requiring the filing of tax returns relating thereto; however, the Lessee shall have no obligation to pay any net income taxes of Itel Rail or any tax, assessment or charge upon Itel Rail's right to engage in business. Lessee shall annually provide verification of all taxes assessed against the Cars.

6. Lease Rental

A. For purposes of this Agreement, the following terms shall have the following meanings.

(i) Service Quarter: a calendar quarter or portion thereof during the Initial Lease Term or any Extended Lease Term, beginning with the Initial Loading.

(ii) Payments: an amount equal to all amounts received by Lessee from other railroads for their use or handling of Cars, excluding demurrage and net of reclaims due to maintenance or repairs, plus an amount equal to all such

amounts due from other railroads but not paid because of deductions, offsets or claims resulting from settlements, claims or disputes between Lessee and such other railroads.

(iii) Utilization: an amount equal to all amounts other than mileage revenue that would be due from other railroads for their use or handling of Cars, with respect to a Service Quarter, assuming that other railroads used or handled the Cars during 100% of the aggregate hours that the Cars were leased during such Service Quarter, after subtracting from such aggregate hours, (x) during the first five (5) years of the Initial Lease Term, the aggregate hours for which such amounts were not due because of maintenance or repair of the Cars, including the time the Cars were awaiting maintenance or repair, and the aggregate hours for which reclaims were paid due to maintenance or repair of the Cars other than running repairs pursuant to the AAR Code of Car Hire Rules and Interpretations-Freight (collectively "Non-Earning Hours"), or (y) during the remainder of the Initial Lease Term and during any Extended Lease Term, Non-Earning Hours less an amount equal to the lesser of one-half of such Non-Earning Hours or one (1) percent of the aggregate hours that the Cars were leased.

(iv) Mileage: An amount, with respect to a Service Quarter, equal to the product of (x) the applicable mileage rate, pursuant to the AAR Code of Car Hire Rules and Interpretations-Freight in effect from time to time during the Initial Lease Term or any Extended Lease Term, as applicable, (y) the quotient obtained by dividing the total number of miles travelled by the Cars while off the Lessee's railroad line by the number of days the Cars were off the Lessee's railroad line and with respect to which car hire amounts were earned, and (z) the quotient obtained by dividing the remainder obtained by subtracting the Non-Earning Hours from the aggregate hours the Cars were leased, during such Service Quarter, by twenty-four (24). Notwithstanding anything above to the contrary, if the Cars travel no miles off the Lessee's railroad line, (y) shall be fifteen (15).

(v) Base Rent: An amount, with respect to a Service Quarter, equal to .685 times the sum of Utilization and Mileage for that Service Quarter.

B. (i) Within ten (10) days after the last day of each calendar month or portion thereof during the Initial Lease Term or any Extended Lease Term, Lessee shall pay Itel Rail Payments collected in such month, which Payments shall be applied to the respective Service Quarters in which they were earned until Itel Rail has received, with respect to any Service Quarter, an amount equal to Base Rent, and Lessee shall prepare, in written form satisfactory to Itel Rail, and deliver to Itel Rail a report of the hours earned, miles travelled and Payments to date, including any adjustments, for the current Service Quarter and the two immediately previous Service Quarters. If any demurrage is received by Itel Rail directly from another railroad, Itel Rail shall pay such demurrage to Lessee within ten (10) days after the last day of the calendar month in which it was received by Itel Rail. Lessee shall be entitled to retain all Payments in excess of Base Rent.

(ii) Within one (1) calendar quarter after the last day of each Service Quarter, Lessee shall, with all information then available, calculate (x) Base Rent and (y) all amounts due from other railroads for their use or handling of

Cars, excluding demurrage and net of reclaims due to maintenance or repairs, whether or not received by Lessee ("Actual Utilization") for such Service Quarter and provide Itel Rail with a report of such calculations.

(iii) Within two (2) calendar quarters after the last day of each Service Quarter, Lessee shall, with all information then available, calculate Base Rent for such Service Quarter and furnish Itel Rail with a report of such calculation. If the amounts paid to Itel Rail exceed the Base Rent for such Service Quarter, Itel Rail shall remit the difference to Lessee.

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(iv) If Lessee receives information regarding Non-Earning Hours or reclaims due to maintenance or repairs more than two (2) calendar quarters after the last day of a Service Quarter that would alter the amounts paid or payable by either Lessee or Itel Rail hereunder with respect to such previous Service Quarter, such information shall be considered as attributable to the then current Service Quarter in determining amounts payable for the then current Service Quarter.

C. In addition to the amounts due from Lessee to Itel Rail pursuant to Subsection 6.B. above, (i) within one (1) calendar quarter after the last day of each Service Quarter during which Initial Loading took place with respect to a Car, Lessee shall pay to Itel Rail with respect to such Car an amount equal to all Payments attributable to the period prior to such Initial Loading, and (ii) Lessee shall exercise its best efforts to aggressively pursue collection of amounts owed by any other railroad which fails to pay when due amounts due for use or handling of any Car with respect to any Service Quarter for which Itel Rail has not received Base Rent and, when Lessee receives any such amounts from such other railroad, Lessee shall promptly pay such amounts, less any out-of-pocket collection expenses reasonably incurred by Lessee, to Itel Rail until Itel Rail has received Base Rent for such Service Quarter.

D. If, with respect to a Service Quarter, pursuant to the calculations specified in Subsection 6.B.(ii) above, Actual Utilization is less than Base Rent, or, pursuant to the calculation specified in Subsection 6.B.(iii), Payments are less than Base Rent, Itel Rail shall have the option to terminate this Agreement with respect to all Cars or any whole-number multiple of fifty (50) Cars. Such termination shall be effective, with respect to a Car, in accordance with Section 9. hereof and in the manner and at the time provided in this Subsection 6.D. In the event Itel Rail elects to so terminate this Agreement, Itel Rail shall provide Lessee with written notice of such election during the second calendar quarter after the last day of such Service Quarter or portion thereof, in the event of a termination due to Actual Utilization being less than Base Rent pursuant to Subsection 6.B.(ii), or during the seventh calendar month after the last day of such Service Quarter or portion thereof, in the event of a termination due to Payments being less than Base Rent pursuant to Subsection 6.B.(iii), which notice shall specify the number of Cars with respect to which this Agreement is to be terminated. Within fifteen (15) days after receipt of such notice of termination, Lessee may provide Itel Rail with written notice of Lessee's intention to pay Itel Rail an additional amount which, when added to amounts previously received by Itel Rail for such Service Quarter, would result in Itel Rail having received Base Rent with respect to such period. If Lessee provides Itel Rail with such notice and pays Itel Rail such additional amount within thirty (30) days after Itel Rail receives such notice, Itel Rail's notice of termination shall be void. If, following notice of termination by Itel Rail, Lessee fails to provide such notice and pay such amount to Itel Rail, Itel Rail shall terminate this Agreement with respect to the number of Cars specified in the notice of termination at such time, with respect to a Car, as Itel Rail shall elect; provided, however, that such termination shall not be effective, with respect to a Car,

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prior to the 91st day following Lessee's receipt of the notice of termination and, provided further, that Lessee shall pay Itel Rail Base Rent for the Cars with respect to which this Agreement is to be terminated as follows: where the number of Cars with respect to which this Agreement is to be terminated is "X," Lessee shall pay Base Rent with respect to (i) X-50 Cars from and including the 91st day following Lessee's receipt of the notice of termination to and including the 180th day, (ii) X-100 Cars from and including the 181st day to and including the 270th day and, (iii) X-150 Cars from and including the 271st day to and including the 360th day and, provided further, Itel Rail must terminate this Agreement or provide Lessee with notice of delivery locations with respect to at least fifty (50) Cars during each ninety (90) day period commencing with the 91st day following Lessee's receipt of the notice of termination. However, in no event shall the number of Cars subject to the immediately preceding Base Rent payment provision be, at any time, greater than the number of Cars for which notice of termination has been given less the number of Cars with respect to which this Agreement has been so terminated.

E. If, with respect to each and every Service Quarter during the Initial Lease Term, Lessee has paid Itel Rail Base Rent in accordance with the terms of this Agreement with respect to all Cars and if, upon the expiration of the Initial Lease Term, Lessee is not in default under the terms of this Agreement, Lessee shall receive title to one-half of the Cars then leased hereunder, as selected by Itel Rail without regard to condition, AS IS-WHERE IS, free of liens of Itel Rail or its assignees or mortgagees. In the event Lessee receives title to one-half of the Cars then leased hereunder, this Agreement shall terminate for such Cars upon the passage of such title and Lessee shall pay all taxes due with respect to said passage of title other than federal, state, or local income taxes, if any, of Itel Rail or any of its assignees. Lessee may, at its option, with respect to any Service Quarter with respect to which Lessee did not pay Itel Rail an amount equal to Base Rent, pay Itel Rail, within two calendar quarters and ten (10) days after the end of such Service Quarter, an amount equal to the difference between the amounts previously paid and Base Rent. Any amount remitted to Itel Rail pursuant to this subsection shall be considered as a receipt by Itel Rail towards Base Rent for such Service Quarter.

7. Possession and Use

A. Itel Rail will be acquiring the Cars with its own funds and is not and will not subject the Cars to any lien, mortgage, or security interest which would impair Lessee's possession, use and quiet enjoyment of the Cars or impair Lessee's rights under this Agreement. At the time of delivery and acceptance of a Car under the terms of this Agreement, the Car shall be free and clear of all such liens and encumbrances. So long as Lessee shall not be in default under this Agreement, and subject to the rights of Itel Rail to terminate this Agreement, as provided below, or take possession of Cars, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent cars are customarily used in the railroad freight business. Lessee agrees that to the extent it has physical possession or can control use of the Cars, the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either Itel Rail or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

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B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or Schedule thereto other than an encumbrance created by Itel Rail or any of its assignees or mortgagees or resulting from claims against Itel Rail or any of its assignees or mortgagees. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance, security interest or claim for which Lessee is liable pursuant to the preceding sentence. Provided however, that Lessee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the non-payment thereof does not, in the reasonable opinion of Itel Rail, adversely affect the title or other interest of Itel Rail in or to the Cars or otherwise adversely affect its rights or the rights of its assignees or mortgagees under this Agreement, and provided further, that this covenant will not be breached by reason of the existence of liens for taxes, assessments or governmental charges or levies in each case so long as not due or delinquent or undetermined or inchoate materialmen's, mechanic's, workmen's, repairmen's, or other like liens arising in the ordinary course of business and in each case, not delinquent. Nothing herein shall be deemed to prohibit any lien from attaching to the leasehold interest of the Lessee under this Agreement by reason of the existence of an after-acquired property clause in any mortgage to which the Lessee is a party covering substantially all of its railroad property.

8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The non-payment, when due, by Lessee of any sum required herein to be paid by Lessee within five (5) days after receipt of written notice of such non-payment from Itel Rail.

(ii) The breach by Lessee of any other term, covenant, or condition of this Agreement, which is not cured within thirty (30) days after written demand that it be cured.

(iii) The commencement of any proceedings by or against the Lessee for any relief under any bankruptcy or insolvency law or any law relating to the release of debtors or readjustment of indebtedness, reorganization, arrangement, composition or extension and if such proceedings have been commenced against the Lessee such proceedings shall not have been dismissed, nullified, stayed or otherwise rendered ineffective (then only so long as such stay shall continue in force or such ineffectiveness shall continue) within sixty (60) days after such proceedings shall have been commenced or the Lessee shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due.

(iv) The subjection of any of Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency which action would substantially impair Lessee's capacity to fulfill its performance under this Agreement.

(v) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions

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of the Interstate Commerce Act or the laws of any state which discontinuance or abandonment substantially impairs Lessee's capacity to fulfill its performance under this Agreement.

B. Upon the occurrence of any event of default hereunder, without limiting Itel Rail's rights and remedies otherwise provided by law, which shall be available to Itel Rail in addition to the following rights and remedies, no right or remedy of Itel Rail being exclusive but all such rights and remedies being available at all times to Itel Rail and Itel Rail in any case being entitled to recover all costs, expenses and reasonable attorneys' fees incurred by Itel Rail in enforcing its rights and remedies hereunder, Itel Rail may, at its option, terminate this Agreement and/or may

(i) Proceed by any lawful means to enforce performance by Lessee of this Agreement or to recover damages for a breach thereof (and Lessee agrees to bear Itel Rail's costs and expenses, including reasonable attorney's fees, in securing such enforcement), and/or

(ii) By notice in writing to Lessee, terminate Lessee's right of possession and use of the Cars whereupon all right and interest of Lessee in the Cars shall terminate; and thereupon Itel Rail may enter at its own risk upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee. Itel Rail shall in addition have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to that date, together with Itel Rail's costs and expenses, including reasonable attorneys' fees incurred in securing such amount.

(iii) The foregoing provisions of this Section 8 are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto.

9. Termination

Upon the expiration or earlier termination of this Agreement as to any Car, Lessee will surrender possession of such Car to Itel Rail by delivering the same to Itel Rail. A Car shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from such Car, either, at the option of Itel Rail, (1) by Lessee upon return of such Car to Lessee's possession or control, or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination of the lease term as to such Car. Any cost of assembling, delivering, storing, and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by Itel Rail. Any cost of removing Lessee's railroad markings from the Cars and placing thereon such markings as may be designated by Itel Rail shall be borne by Itel Rail. After the removal and replacement of markings, Lessee shall use its best efforts to load such Cars with freight and deliver such Cars to a connecting carrier for shipment. Lessee shall provide up to sixty (60) days free storage on its property for and at the risk (except for negligent acts or omissions of Lessee) of Itel Rail or the subsequent lessee of any terminated Car.

10. Indemnities

As long as Lessee is not in default hereunder, Itel Rail will defend, indemnify and hold Lessee harmless from and against any claim, cause of action, damage, liability,

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cost or expense which may be asserted against Lessee with respect to the Cars (unless occurring through the fault of Lessee) including without limitation any such claim or expense arising out of the construction, leasing or return of the Cars or as a result of the use, maintenance, repair, replacement, operation or the condition thereof.

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which, so far as Lessee may reasonably foresee, might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee, which was not disclosed in Lessee's 1979 R-1 report filed with the Interstate Commerce Commission.

(iv) There is no fact which Lessee has not disclosed to Itel Rail in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement.

12. Inspection

Itel Rail shall at its own risk at any time during normal business hours have the right to enter Lessee's premises where the Cars may be located for the purpose of inspecting and examining the Cars. As soon as practicable upon becoming aware thereof, Lessee shall notify Itel Rail of any accident involving the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify Itel Rail in writing within five (5) days after becoming aware that any attachment, tax lien or other judicial process has attached to any Car. Lessee shall furnish to Itel Rail promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income statements or balance sheets required to be submitted to the ICC.

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13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of Itel Rail assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents, in form and substance satisfactory to counsel to each party, as may be required in furtherance of this Agreement and in furtherance of any financing agreement entered into by Itel Rail in connection with the acquisition of the Cars, but only if such financing agreement is on terms consistent with Section 7 hereof, in order to confirm the financing party's interest in the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only.

D. No failure or delay by either party herein shall constitute a waiver or otherwise affect or impair any right, power or remedy available except as otherwise provided herein; nor shall any waiver or indulgence by either party or any partial or single exercise of any right, power or remedy preclude any other or further exercise of any other right, power or remedy, except as otherwise provided in this Agreement.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president, in the case of Itel Rail, and to the Secretary, in the case of Lessee.

G. Itel Rail and Lessee agree to observe and abide by any and all applicable laws, rules and regulations with respect to the Cars and this Agreement including, but not limited to, those of the Interstate Commerce Commission, Federal Railroad Administration, and Association of American Railroads.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ITEL CORPORATION
RAIL DIVISION

GRAND TRUNK WESTERN
RAILROAD COMPANY

By: Carl M. [Signature]
Title: President
Date: June 19, 1980

By: E. Adams [Signature]
Title: Vice President - Operations
Date: 6/18/80

STATE OF CALIFORNIA)
)
COUNTY OF SAN FRANCISCO) ss:

On this 19th day of June, 1980, before me personally appeared
Carl N. Taylor, to me personally known, who being
by me duly sworn says that such person is President of Itel Corporation,
Rail Division, that the foregoing Lease Agreement was signed on behalf of said
corporation by authority of its board of directors, and such person acknowledged that
the execution of the foregoing instrument was the free act and deed of said corporation.



Sherie L. Kreglo
Notary Public

STATE OF MICHIGAN)
)
COUNTY OF WAYNE) ss:

On this 18th day of June, 1980, before me personally appeared
E. R. ADAMS, to me personally known, who being
by me duly sworn says that such person is Vice President - Operations of
Grand Trunk Western Railroad Company, that the foregoing Lease Agreement was
signed on behalf of said corporation by authority of its board of directors, and such
person acknowledged that the execution of the foregoing instrument was the free act
and deed of said corporation.

Walter B. Hupaliwskyj
Notary Public

WALTER B. HUPALIWSKYJ
Notary Public, Wayne County, Mich.
My Commission Expires Feb. 1, 1984

EQUIPMENT SCHEDULE NO. 1

Itel Corporation, Rail Division hereby leases the following Cars to Grand Trunk Western Railroad Company subject to the terms and conditions of that certain Lease Agreement dated as of June 17, 1980.

A.A.R. Mech. Desig.	Description	Numbers	Dimensions Inside			Doors Width	No. of Cars
			Length	Width	Height		
GB	Gondola, Steel, 100 Ton	GTW 148000- 148199	52' 6"	9'6"	5' 0"	N/A	200
The Cars described on this Equipment Schedule No. 1 are scheduled for delivery beginning July, 1980; said Cars are to be manufactured by Evans Products Company.							

ITEL CORPORATION, RAIL DIVISION

BY: Carl J. [Signature]TITLE: PresidentDATE: June 19, 1980GRAND TRUNK WESTERN
RAILROAD COMPANYBY: [Signature]TITLE: Vice President-OperationsDATE: 6/18/80

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

On this 19th day of June, 1980, before me personally appeared
Carl N. Taylor, to me personally known, who being
by me duly sworn says that such person is President of ITEL Corporation,
Rail Division, that the foregoing Equipment Schedule No. 1 was signed on behalf
of said corporation by authority of its board of directors, and such person acknowledged
that the execution of the foregoing instrument was the free act and deed of said
corporation.



Sherie L. Kreglo
Notary Public

STATE OF MICHIGAN)
) ss:
COUNTY OF WAYNE)

On this 18th day of June, 1980, before me personally appeared
E. R. ADAMS, to me personally known, who being
by me duly sworn says that such person is Vice President - Operations of
Grand Trunk Western Railroad Company, that the foregoing Equipment Schedule No.
1 was signed on behalf of said corporation by authority of its board of directors,
and such person acknowledged that the execution of the foregoing instrument was the
free act and deed of said corporation.

Walter B. Hupaliwskyj
Notary Public
WALTER B. HUPALIWSKYJ
Notary Public, Wayne County, Mich.
My Commission Expires Feb. 1, 1984